

LIBERAL MEMORIAL LIBRARY  
Liberal, Kansas

AUDIT REPORT

For the years ended December 31, 2010 and 2009

LIBERAL MEMORIAL LIBRARY  
Liberal, Kansas

AUDIT REPORT

For the years ended December 31, 2010 and 2009

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## INDEPENDENT AUDITOR'S REPORT

To the Board Members of the  
Liberal Memorial Library  
Liberal, Kansas 67901

We have audited the accompanying financial statements of the Liberal Memorial Library, Liberal, Kansas, as of and for the years ended December 31, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the Liberal Memorial Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with the Kansas Municipal Audit Guide and auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Liberal Memorial Library, as of December 31, 2010 and 2009, and the respective changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 5 and 14 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally

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accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Hay•Rice & Associates, Chartered

July 13, 2011

LIBERAL MEMORIAL LIBRARY  
Liberal, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2010

As management of the Liberal Memorial Library, we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Liberal Memorial Library for the fiscal year ended December 31, 2010. We encourage readers to consider the information presented here in conjunction with the financial statements, which begin on page 7.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the Library's financial statements. The financial statements are designed to provide readers with a broad overview of the Library's finances. One of the most important questions asked about the Library's finances is, "Is the Library as a whole better off or worse off as a result of the year's activities?" The balance sheet and the statement of revenues, expenses, and changes in fund equity report information about the Library in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The balance sheet presents information on all of the Library's assets and liabilities, with the difference between the two reported as fund equity. Over time, increases or decreases in fund equity may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The statement of revenues, expenses, and changes in fund equity presents information showing how the Library's fund equity changed during the most recent fiscal year. All changes in fund equity are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation and earned but unused vacation leave).

The financial statements report on the function of the Library that is principally supported by intergovernmental revenues. The Library's function is to provide a library for the City of Liberal and the surrounding area, which is funded primarily with tax revenues levied by the City of Liberal on the Library's behalf.

Government-Wide Financial Statements vs. Fund Financial Statements

The Library maintains one governmental fund to account for all its functions. The governmental fund type financial statements represent both the government-wide financial statements, as well as the fund financial statements.

## Notes to the Financial Statements

The notes provide additional information that is essential to the full understanding of the amounts provided in the financial statements. The notes to the financial statements can be found on pages 9 through 12 of this report.

### Financial Highlights

- The assets of the Library exceeded its liabilities at the close of the most recent fiscal year by \$951,533.
- The Library had property tax revenues of \$543,736, intergovernmental revenues of \$14,388, program revenues (charges for services) of \$22,830 and program expenses of \$563,392 for the year ended December 31, 2010.
- The cash balance at December 31, 2010 was \$441,290 representing an increase of \$91,135 from January 1, 2010.

### Capital Assets and Debt Administration

#### Capital Assets

As of December 31, 2010, the Library's investment in capital assets for its governmental activities was \$520,214 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment.

Additional information on the Liberal Memorial Library's capital assets can be found in Note 5 on page 11.

### Financial Analysis

A comparative analysis of current and prior year balances follows:

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
Total assets	\$1,545,102	\$1,478,986
Total liabilities	593,568	584,302
Total fund equity	951,533	894,684
Total revenue	620,241	636,458
Total expenses	563,392	579,806
Net increase (decrease) in net assets	56,849	56,652
Cash and cash equivalents	441,290	350,155

### Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Library's budget for the 2010 fiscal year:

Enhance new and existing programs

Increasing cost of materials

Employment of adequate staff members

### Contacting the Library's Financial Management

The financial report is designed to provide a general overview of the Library's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Liberal Memorial Library, 519 N. Kansas, Liberal, Kansas 69701, or call (620) 626-0180.

LIBERAL MEMORIAL LIBRARY  
Liberal, Kansas

FINANCIAL STATEMENTS  
For the years ended December 31, 2010 and 2009



LIBERAL MEMORIAL LIBRARY  
Liberal, Kansas

Statement 1

STATEMENTS OF NET ASSETS  
December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Cash and investments	\$ 441,290	\$ 350,155
Taxes receivable	583,598	575,128
Capital assets	1,364,418	1,361,767
<u>Less – Accumulated depreciation</u>	<u>(844,204)</u>	<u>(808,064)</u>
 Total Assets	 <u>\$1,545,102</u>	 <u>\$1,478,986</u>
 <u>Liabilities</u>		
Accounts payable	\$ 5,428	\$ 5,541
Accrued salaries	4,542	3,633
Deferred revenue	<u>583,598</u>	<u>575,128</u>
 Total Liabilities	 <u>\$ 593,568</u>	 <u>\$ 584,302</u>
 <u>Net Assets</u>		
Unrestricted	\$ 431,319	\$ 340,981
Invested in capital assets	<u>520,214</u>	<u>553,703</u>
 Total Net Assets	 <u>\$ 951,533</u>	 <u>\$ 894,684</u>

The notes to the financial statements are an integral part of this statement.

LIBERAL MEMORIAL LIBRARY  
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Statement 2

STATEMENTS OF ACTIVITIES

For the years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>Expenditure/Expenses</u>		
Library Operations:		
Personal services	\$ 285,437	\$ 286,191
Commodities	103,683	108,995
Contractual services	138,132	146,439
Depreciation	<u>36,140</u>	<u>38,181</u>
Total program expenses	\$ 563,392	\$ 579,806
 <u>Program Revenues</u>		
Charges for services	<u>22,830</u>	<u>21,975</u>
Net program expenses	\$ <u>540,562</u>	\$ <u>557,831</u>
 <u>General Revenues</u>		
Property taxes	\$ 543,736	\$ 551,805
Intergovernmental	20,799	33,285
Investment earnings	3,301	4,432
Gifts and bequests	2,805	4,759
Miscellaneous	8,282	4,386
Grants	<u>18,488</u>	<u>15,816</u>
Total general revenues	\$ <u>597,411</u>	\$ <u>614,483</u>
Increase in Net Assets	\$ 56,849	\$ 56,652
Net Assets, Beginning of the Year	<u>894,684</u>	<u>838,032</u>
Net Assets, End of the Year	\$ <u>951,533</u>	\$ <u>894,684</u>

The notes to the financial statements are an integral part of this statement.

LIBERAL MEMORIAL LIBRARY  
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NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2010 and 2009

Note 1: Reporting Entity

Liberal Memorial Library is a municipal organization governed by an appointed board. The Liberal Memorial Library is a component unit of the City of Liberal, Kansas. There are no component units of the Liberal Memorial Library.

Note 2: Summary of Accounting Policies

The Library has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented after applying memorandum adjustments, where applicable, resulting in financial statements presented on the accrual basis of accounting.

Budgets

Applicable Kansas statutes require that budgets be legally adopted for all funds, unless exempted by a specific statute. All budgets are prepared utilizing the modified accrual basis further modified by the encumbrance method of accounting - that is, commitments, such as purchase orders and contracts, in addition to disbursements and accounts payable, are recorded as expenditures.

Budget authorizations are not required for the State Aid, Gift and Bequest, Capital Improvements or Capital Projects Funds.

Schedule 1 presents budgetary comparisons of the General Fund.

LIBERAL MEMORIAL LIBRARY  
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NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2010 and 2009  
(Continued)

Note 3: Cash and Time Deposits

Cash on hand, demand and time deposits are shown in aggregate in accordance with the provisions of KSA 12-1671 and 12-1672.

Time deposits are carried at cost, plus accrued interest. The carrying amount of these deposits are included in the financial statement as "cash and time deposits".

In accordance with KSA 9-1402 and KSA 12-1675, the Library Board deposited their funds with First National Bank, Liberal, Kansas.

The following coverage was provided at December 31, 2010:

First National Bank:			
Carrying value – Book value	\$441,290		
Balance per bank statements		\$445,011	
FDIC			\$500,000
Depository security			\$157,848
Funds at risk			<u>-</u>

Note 4: Accounts Receivable

Generally, the only stated receivables would be as follows:

- 1 – Available Library Fund balance at year end limited to the budget appropriation on hand with the City Treasurer.
- 2 – Any reimbursements due from the Library System and from other individuals.
- 3 – Balances due on state contractual agreements at year end.

LIBERAL MEMORIAL LIBRARY  
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NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2010 and 2009  
(Continued)

Note 5: Statement of Changes in General Fixed Assets

Capital asset activity for the year ended December 31, 2010 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>
Land	\$ 28,000	\$ -	-	\$ 28,000
Building	122,680	-	-	122,680
Building addition	550,794	-	-	550,794
Improvements	201,579	1,357	-	202,936
Furnishings and Equipment:				
Office furniture and equipment	365,866	645	-	366,511
Shelving, etc.	76,611	-	-	76,611
Audio-visual equipment	<u>16,237</u>	<u>649</u>	<u>-</u>	<u>16,886</u>
Total Current Year	\$1,361,767	<u>\$ 2,651</u>	<u>-</u>	\$1,364,418
<u>Less</u> – Accumulated depreciation	<u>(808,064)</u>			<u>(844,204)</u>
Net Capital Assets	<u>\$ 553,703</u>			<u>\$ 520,214</u>

Note 6: Vouchers Payable

Vouchers payable are classified on the basis of a claim for payment resulting from legal title to property.

Note 7: Compensated Absences/Uncompensated Absences

Liabilities for compensated absences have been inventoried at the end of the year and adjusted, if applicable, to current salary cost.

Upon termination, an employee shall not be paid for any accumulated unused compensatory or sick leave time. Therefore, no liability has been recorded.

LIBERAL MEMORIAL LIBRARY  
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NOTES TO FINANCIAL STATEMENTS

For the years ended December 31, 2010 and 2009  
(Continued)

Note 8: Defined Benefit Pension Plan

The Liberal Memorial Library participates in the Kansas Public Employees Retirement System (KPERs), a cost-sharing multiple-employer defined benefit pension plan as provided by KSA 74-4901, et seq. KPERs provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERs issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERs (611 S. Kansas, Suite 100, Topeka, KS 66603), or by calling 1-888-275-5737.

KSA 74-4919 establishes the KPERs member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERs is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERs employers. The employer rate established by statute for calendar year 2010 is 6.14%. The Liberal Memorial Library contributions to KPERs for the years ending December 31, 2010, 2009 and 2008 were \$21,821, \$20,078 and \$12,752, respectively, equal to the statutory required contributions for each year.

Note 9: Reconciliation of Difference Between Governmental Fund Statement and the Statement of Net Assets

Fund balance, Schedule 1	\$304,786
Fund balance – State aid	42,973
Fund balance – I.L.L. Development Fund	-
Addition of net capital assets	<u>603,774</u>
Net assets, Statement 1	<u>\$951,533</u>

LIBERAL MEMORIAL LIBRARY  
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SUPPLEMENTAL SCHEDULES  
For the years ended December 31, 2010 and 2009

LIBERAL MEMORIAL LIBRARY  
Liberal, Kansas

Schedule 1

GOVERNMENTAL FUND  
STATEMENTS OF REVENUE AND EXPENDITURES  
COMPARED WITH BUDGET ESTIMATES  
For the years ended December 31, 2010 and 2009

	<u>Current Year</u>			<u>Prior</u>
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavor.)</u>	<u>Year</u> <u>Actual</u>
<u>Revenue</u>				
Appropriation from City:				
Library Fund	\$543,736	\$575,128	\$ (31,392)	\$551,805
Library System	6,786	-	6,786	2,884
Fines, fees and xerox	22,831	18,000	4,831	21,975
Gift and Bequest	2,805	-	2,805	4,759
Miscellaneous	1,496	-	1,496	1,502
Interest	3,301	3,000	301	4,432
Grants	<u>39,287</u>	<u>35,940</u>	<u>3,347</u>	<u>49,100</u>
Total revenue	<u>\$620,242</u>	<u>\$632,068</u>	<u>\$ (11,826)</u>	<u>\$636,457</u>
<u>Expenditures</u>				
Salaries	\$285,437	\$320,475	\$ 35,038	\$286,191
Payroll taxes	24,105	34,788	10,683	26,042
Health/Life insurance	39,996	44,000	4,004	39,569
Books/Foreign language	37,967	52,000	14,033	47,442
Building maintenance	14,996	13,500	(1,496)	10,029
Periodicals and reference	4,962	7,000	2,038	5,158
Supplies and postage	11,456	22,500	11,044	12,530
Utilities and phone	24,087	28,600	4,513	21,933
Computer expense	140	4,000	3,860	2,291
Continuing education and travel	5,906	9,700	3,794	5,688
Insurance	265	12,000	11,735	9,377
Retirement	13,562	14,560	998	11,879

The notes to the financial statements are an integral part of this statement.



LIBERAL MEMORIAL LIBRARY  
Liberal, Kansas

Schedule 1  
(Continued)

GOVERNMENTAL FUND  
STATEMENTS OF REVENUE AND EXPENDITURES  
COMPARED WITH BUDGET ESTIMATES  
For the years ended December 31, 2010 and 2009

	<u>Current Year</u>		<u>Variance Favorable (Unfavor.)</u>	<u>Prior Year Actual</u>
	<u>Actual</u>	<u>Budget</u>		
<u>Expenditures (Continued)</u>				
Miscellaneous	3,893	1,299	(2,594)	1,797
Aflec reimbursement	-	-	-	52
Service contracts	8,389	6,196	(2,193)	9,463
Travel and entertainment	690	-	(690)	622
Professional fees	3,283	4,000	717	3,885
Bibliofile/Microforms	11	350	339	555
Advertising/Marketing	455	-	(455)	278
Programs	5,006	9,000	3,994	1,214
Audio-visual	17,841	13,000	(4,841)	18,672
Interlibrary loan postage	834	5,000	4,166	2,742
Bank charges	261	-	(261)	34
Grants	6,863	6,100	(763)	7,183
Cleaning services	16,848	24,000	7,152	16,998
Depreciation expense	<u>36,140</u>	<u>-</u>	<u>(36,140)</u>	<u>38,181</u>
Total expenditures	<u>\$563,393</u>	<u>\$632,068</u>	<u>\$ 68,675</u>	<u>\$579,805</u>
Revenue over (under) expenditures	\$ 56,849			\$ 56,652
Fund Balances, January 1	<u>247,937</u>			<u>191,285</u>
Fund Balances, December 31	<u>\$304,786</u>			<u>\$247,937</u>

The notes to the financial statements are an integral part of this statement.

To the Board Members of the  
Liberal Memorial Library  
Liberal, Kansas 67901

In planning and performing our audit of the financial statements of the Liberal Memorial Library, as of and for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Liberal Memorial Library's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Liberal Memorial Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Liberal Memorial Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Library's internal control to be significant deficiencies:

Segregation of Duties – Due to the size of the entity and the staff available, the segregation of duties within the system are less than ideal.

To the Board Members of the  
Liberal Memorial Library  
Liberal, Kansas 67901

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This communication is intended solely for the information and use of the management of the Liberal Memorial Library, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Hay•Rice & Associates, Chartered

July 13, 2011

To the Board Members of the  
Liberal Memorial Library  
Liberal, Kansas 67901

We have audited the financial statements of the Liberal Memorial Library for the year ended December 31, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated December 2, 2010. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Liberal Memorial Library are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2010. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

##### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

##### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

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### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated July 13, 2011.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Library Board and management of the Liberal Memorial Library and is not intended to be and should not be used by anyone other than these specified parties.

Hay•Rice & Associates, Chartered

July 13, 2011